



Pay-for-Results Incentive Programs for Agriculture: Incentivizing Affordable On-Farm Storage for Smallholder Farmers in Kenya

Scale Up Conference – Innovations in Agriculture: Scaling Up to Reach Millions
September 26, 2018

\$122 million multi-donor initiative using pay-for-results prizes to incentivize and reward high impact agricultural innovations that improve outcomes in:

Food Security

Health

Nutrition

Livestock

Why? To test pay-for-results (PfR) projects to incentivize the private sector to overcome market barriers by investing in innovation.

How? AgResults promotes the adoption and scaling of new technologies by the private sector to benefit smallholder farmers through the following process:

Identify or
source new
technology

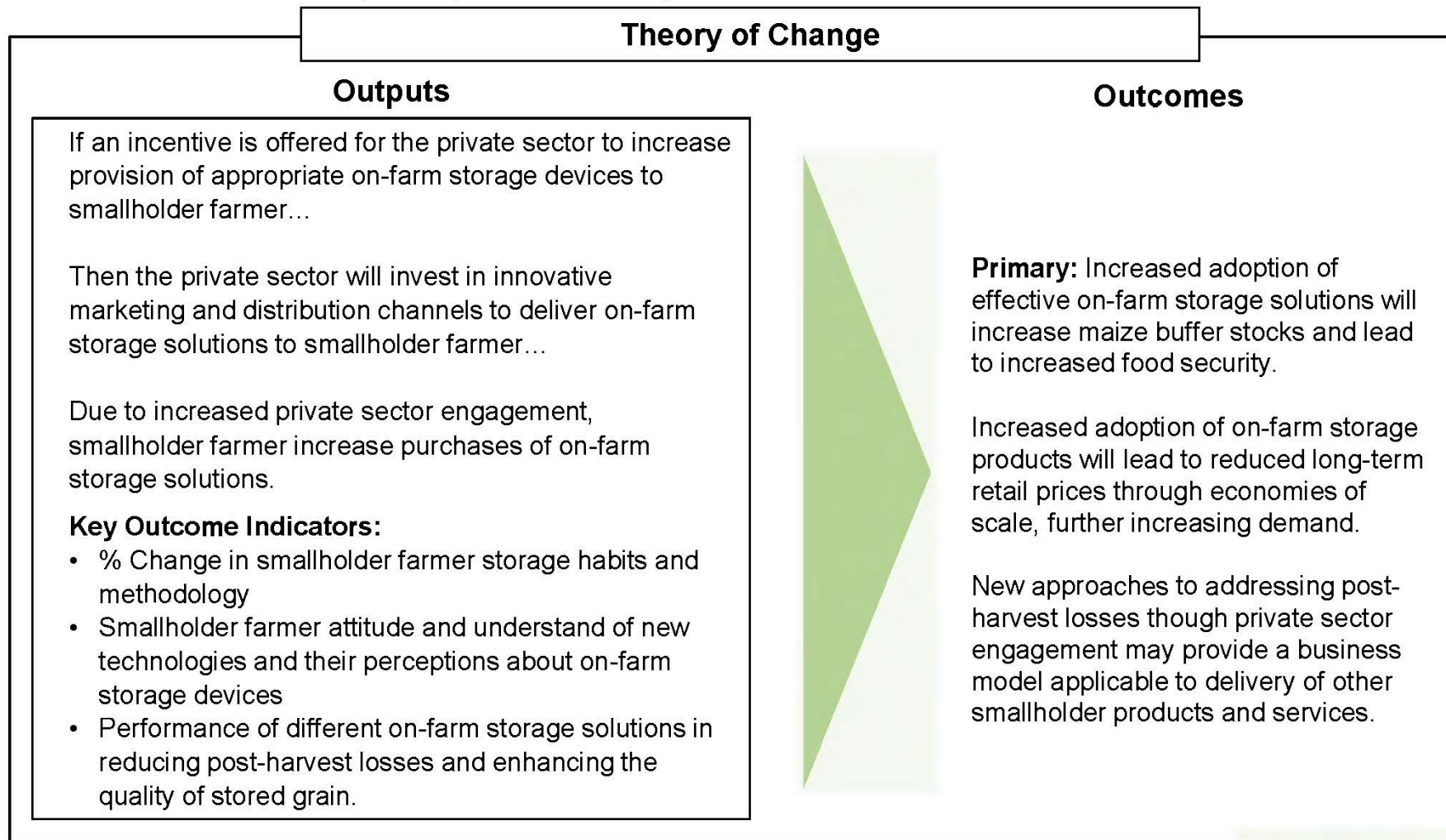
Incentivize the
private sector
to overcome
market barriers

Achieve wide-
scale adoption
and scaling

Create
sustainable
markets

Theory of Change: Increasing Adoption of On-Farm Storage

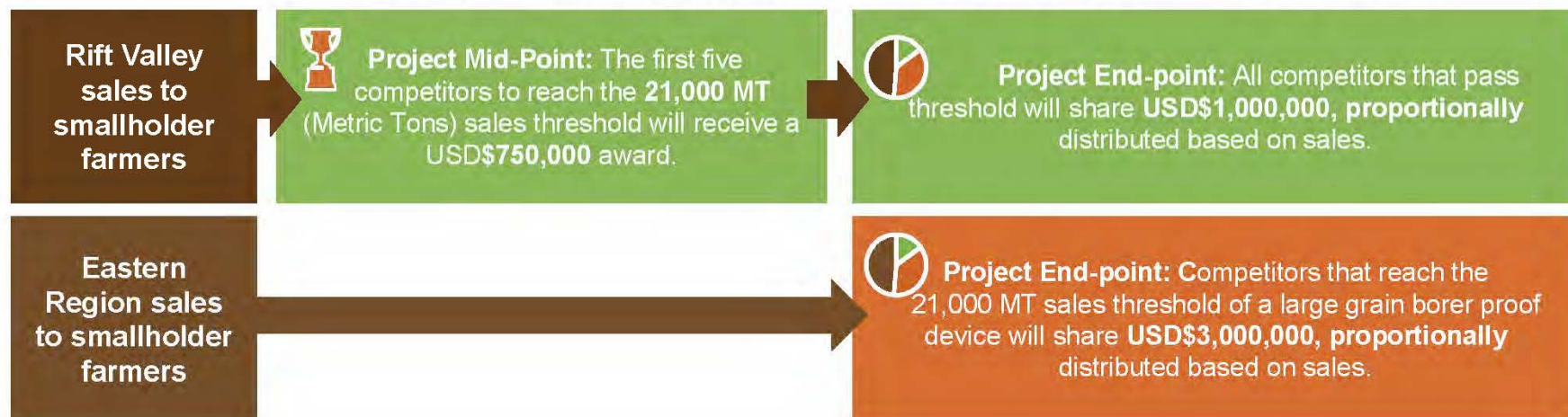
A pay-for-results (PfR) prize incentivizes the private sector to increase the production and sales of on-farm storage devices to smallholder farmers in Kenya to improve food security and livelihoods outcomes.



Kenya On-Farm Storage Project: Reduce post-harvest maize and grain losses through development, marketing, and distribution of on-farm storage solutions to SHFs

Kenya Project PfR Incentive Structure

The project is regionally focused to address the presence of Large Grain Borers (LGB) in the Eastern Region.



Through a **USD\$7.75 million** award, the project aimed to:

- Increase the economic welfare of smallholder farmers by improving access to affordable storage devices
- Catalyze a sustainable market for smallholder farmer storage devices in Kenya
- Test an innovative model of engaging the private sector to serve smallholder needs, with potential future applicability to the delivery of other goods and services to smallholder farmers
- Incentivize the creation of new technologies and adapting existing technologies in a technologically agnostic framework
- Provide additional layer of data and analysis on development outcomes, led by External Evaluator Abt Associates, adding rigorous evaluation to project process and findings
- Document and analyze lessons learned to shape future pay-for-results project based on the outcomes of all the AgResults projects, led by Secretariat and Abt

\$7.75M

May 2018 sales: 1.2 million bags
equivalent to 334,356 MT of storage

The project attracted significant participation from local, regional, and international private sector actors offering varying storage solutions, from plastic bags to metal silos.

Competitors	Size (kg)	Storage Product
Bell	100	PICS bag – triple layer polypropylene hermetic bag
Ekima	50 - 540	Metal silos – custom built galvanized metal silos
A to Z	100	AgroZ bag – multilayer co-extruded liner bag
AFMA / GrainPro Consortium	90 & 250	SuperGrain Bags and Cocoon – three multi-layered PE with barrier layer hermetic bags
Elite Innovations	90 & 100	ELITE bags – one double layer and two triple layer polypropylene hermetic bags
Post Harvest Africa	100	Grainz bag – triple layer polypropylene hermetic bag
CBF / Vestergaard	100	ZeroFly® bag – multilayer co-extruded liner bag with incorporated insecticide
KPMC	60 & 90	Storage enhancing bags – triple layer polypropylene hermetic bag (inactive)
Kentainers	380	GrainSilo – hermetic plastic silo

Metal Silos



Plastic Tanks



Storage Bags



Competitors used a variety of distribution channels to get their post-harvest storage solutions to smallholder consumers.

Distribution Channel Overviews

Distributors	Large aggregators of various agro-inputs in the big urban centers sell devices to downstream smaller distributors (agro-dealers or agro-vets) in rural areas, and sometimes to the farmer. Distributors often require high profit margins from competitors, up to 25%.
Direct Sales to Farmers	This entails bypassing all the distribution chain intermediaries and selling directly to the end user. Direct selling is used by start-ups and smaller companies; however, for bigger companies, this method is rarely cost-effective or feasible.
Agro-dealers	Agro-dealers, or agro-vets, are smaller Distributors spread across the counties. Agro-dealers are the last point of sale as they are closest to the farmer. There are over 10,000 agro-dealers in Kenya.
Sales Representatives/Field Staff	These are competitor-hired staff who act as proxy “Distributors.” They mainly liaise with agro-dealers to assess demand and stock levels in the field and ensure agro-dealers have ample supply of devices. In addition, they carry out farmer and agro-dealer sensitization and trainings.
Commercial Villages	One competitor uses a “Commercial Villages” model, similar to a cooperative, to sell devices directly to farmers to access a larger number of smallholder farmers at once.

The incentive- and solution-agnostic approach empowered competitors to innovate and position themselves for success during and after the project.

Price Reduction	Product Innovation	Investor Involvement	Competition and Marketing	Reach Beyond the Pilot
<ul style="list-style-type: none">• With a leaner, more agile operation, Elite lowered prices to meet market demands. Bell and AFMA/GrainPro followed suit.• Post-Harvest Africa explored local options to acquire their polypropylene bags to reduce production cost, allowing them to lower their prices.	<ul style="list-style-type: none">• Elite created a single layer, 90 Kg bag to sell at a cheaper price.• Kentainers redesigned their plastic silo for easier mass production, stacking, and bulk transport.• A to Z is exploring options to add smaller, 50kg bags.	<ul style="list-style-type: none">• Ekima attracted an equity investor.• Elite recapitalized their business through injection of capital by shareholders.• AFMA/GrainPro found an investor to inject \$1 million into marketing and distribution, allowing them to expand their reach.	<ul style="list-style-type: none">• For the first time, agro-dealers and farmers had a choice for hermetic storage.• Rift Valley had the most competition.• Competitors market with positive and negative pitch campaigns – “Our product is better than theirs”, “All products are equally good.”• Bell and PICS bags had a first mover advantage, and others now leverage those brands – “You know PICS? Well, this is the same / better.....”	<ul style="list-style-type: none">• Elite, PHA, A to Z, Bell, AFMA/ GrainPro, CBF/ Vestergaard are selling products outside Kenya.• Elite is moved into the Eastern Region even though they were ineligible for the prize since they did not participate in LGB-proof test.• Competitors – Bell, A to Z, AFMA/ GrainPro and CBF/ Vestergaard – are meeting informally to discuss a hermetic storage solutions standards working group.



Thank you!

Questions/Comments?